

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /103 W

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R 031100Z JUN 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3941

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

LIMITED OFFICIAL USE KINSHASA 5263

E.O. 11652: N/A

TAGS: EAID, EFIN, CG

SUBJECT: A GLIMPSE AT THE GOZ'S CONSULTATIVE GROUP
SHOPPING LIST

REF: (A) KINSHASA 4965, (B) KINSHASA 4629

1. SUMMARY: TO PREPARE FOR THE CONSULTATIVE GROUP MEETING, THE GOZ HAS PREPARED A LIST OF AS YET UNFINANCED INVESTMENT PROJECTS WHOSE AGGREGATE VALUE IS ABOUT Z3.3 BILLION (ONE ZAIRE EQUALS \$1.15). THE GOZ PLANS TO FINANCE DIRECTLY ABOUT ONE-THIRD OF THIS INVESTMENT AND HOPES FUNDING CAN BE FOUND TO FINANCE THE REST. INDUSTRY (INCLUDING MINING AND MINERAL PROCESSING) IS BIGGEST INVESTMENT CATEGORY WITH Z2.0 BILLION. AGRICULTURE ACCOUNTS FOR ABOUT Z0.7 BILLION, TRANSPORT Z0.5 BILLION AND SOCIAL INVESTMENT ABOUT Z0.1 BILLION. END SUMMARY.

2. AS NOTED REF (A), EMBASSY HAS HAD OPPORTUNITY TO EXAMINE THE LIMITED OFFICIAL USE

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GOZ PRESENTATION TO THE CONSULTATIVE GROUP WHICH INCLUDES INTER ALIA A COMPILATION OF AS YET UNFINANCED INVESTMENT PROJECTS WHICH COULD BE UNDERTAKEN OVER THE NEXT FIVE YEARS. AGGREGATE VALUE OF PROJECTS IS ABOUT Z3.3 BILLION, ROUGHLY SAME AMOUNT TARGETED FOR GROSS FIXED CAPITAL FORMATION BETWEEN 1977 AND 1980. THE GOZ PROPOSES TO DIRECTLY FINANCE Z1.1 BILLION OF THESE INVESTMENTS AND HOPES THAT ZAIRIAN PRIVATE COMPANIES,

ZAIRIAN PARASTATALS AND FOREIGN CAPITAL WILL FINANCE REMAINDER.

3. THE GOZ UNLIKELY TO FIND TAKERS FOR MANY OF THE PROJECTS ON LIST--WHICH IN SOME RESPECTS IS INCOMPLETE, UNBALANCED AND UNRELATED TO NEW PRIORITIES ADVOCATED BY IBRD. FOR EXAMPLE, OF Z721 MILLION IN AGRICULTURAL INVESTMENT, OVER TWO-THIRDS (Z509 MILLION) IS FOR SUGAR PROJECTS. IN INDUSTRIAL SECTOR OVER THREE-FOURTHS OF PROJECT INVESTMENT IS PROGRAMMED FOR MINING AND MINERALS PROCESSING INCLUDING: SMTF (Z200 M), AN IRON PROJECT (Z200 M), AN ALUMINUM PROJECT (Z600 M), EXPANSION OF THE OIL REFINERY (Z101 M), DEVELOPMENT OF A COPPER PROCESSING CAPABILITY AT KALUKI, SITE OF ZAIRE'S STEEL MILL (Z133 M) AND NUMEROUS SMALLER PROJECTS.

4. TRANSPORT, THE SECTOR IN WHICH IBRD HAS BEEN MOST ACTIVE, OFFERS WHAT IS PROBABLY THE MOST RATIONAL LIST OF INVESTMENT PROJECTS. THE GOZ LISTS Z470 MILLION IN PROJECTS, OF WHICH Z280 MILLION IS STILL TO BE FINANCED INCLUDING: ROAD MAINTENANCE (Z60 M), RIVER TRANSPORT (Z14 M), RAILROADS (Z30 M), CIVIL AVIATION (Z20 M), OIL PIPELINE (Z48 M), MARITIME TRANSPORT (Z7 M) AND URBAN TRANSPORT (Z100 M). AIR ZAIRE DID NOT PROVIDE INFO ON ITS INVESTMENT NEEDS AND GOZ DECIDED TO OMIT FROM ITS LIST--PROBABLY AT URGING OF THE BANK--EXPENSIVE INFRASTRUCTURE PROJECTS SUCH AS KINSHASA-ILEBO RAILROAD AND BANANA DEEP WATER PORT.

5. NO SPECIFIC LISTING OF PROJECTS IN THE SOCIAL INVESTMENT CATEGORY WAS PROVIDED.

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6. COMMENT: WE ARE NOT SURPRISED THAT THE GOZ'S SHOPPING LIST IS SOMEWHAT INCOMPLETE, UNBALANCED AND UNRELATED TO SHIFT IN PRIORITIES RECOMMENDED BY IBRD AND ACCEPTED (AT LEAST IN PRINCIPLE) BY GOZ. WE THINK IT SIGNIFICANT THAT MOST RATIONAL PROJECT LIST WAS PREPARED IN TRANSPORT SECTOR WHERE IBRD HAS BEEN MOST ACTIVE. WE AGREE HEARTILY WITH IBRD COMMENTS IN SECTION 9 OF ITS ZAIRE TRANSPORT SECTOR MEMORANDUM (JUST RECEIVED) WHICH INCLUDES STRONG RECOMMENDATION THAT "BETTER USE BE MADE OF EXISTING FACILITIES AS MEANS FOR INCREASING EFFECTIVE CAPACITY, AND AS A SUBSTITUTE FOR EXPENSIVE ADDITIONS TO EQUIPMENT AND INFRASTRUCTURE". WE THINK THIS IS A FUNDAMENTAL PRINCIPLE THAT SHOULD BE APPLIED TO PROJECTS IN ALL SECTORS OF THE ECONOMY.

WALKER

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Message Attributes

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